



**Testimony by The Latino Coalition
President Robert Garcia de Posada before the
House Energy & Commerce Health Subcommittee
on June 28, 2005**

My name is Robert Garcia de Posada and I am the President of The Latino Coalition. The Latino Coalition was established in 1995 to address policy issues that directly affect the well-being of Hispanics in the U.S. The Coalition's agenda is to develop and promote policies that will enhance overall business, economic and social development of Hispanics.

When it comes to health insurance, according to the U.S. Census Bureau, the highest uninsured rate in the U.S. is among people of Hispanic origin. Over one third, or 34.2% of Hispanics were uninsured compared with only 12% for non-Hispanic whites. U.S. Hispanics also have the largest percentage of the working uninsured at 37.9% compared to only 14.9% for non-Hispanic whites. Foreign-born immigrants were even worse off with more than half without health insurance. According to the Commonwealth Fund, in small- to medium-sized companies with fewer than 100 workers, 63 percent of white workers have health benefits compared with 38 percent of Hispanic workers.

There is a strong relationship between un-insurance and the kind of employment a person has. The reason is simple: Most Americans get their health insurance through their place of work. Moreover, in getting their health insurance through the workplace, they are also eligible to get large and, under current law, unlimited federal tax breaks for the purchase of health insurance. There is no such tax relief for workers who get health insurance outside the workplace or for workers and their families who cannot get employer-based health insurance.

Today, 65 percent of the uninsured are in working families where the breadwinner works full time. Because Hispanic workers are heavily concentrated in the service industry and in small businesses — working for firms that do not or cannot offer them health insurance coverage — they are disproportionately found outside of the normal channels of health insurance in the United States.

The health insurance market in the United States is uniquely job based. All Americans, both employers and employees, get tax relief if and only if they get their health insurance coverage through their place of employment. If the employer offers health insurance, the employer gets unlimited tax relief in the form of a tax deduction as part of the cost of doing business. Likewise, under this arrangement, employees also get unlimited tax relief for purchasing health insurance through their employer. But, instead of a tax deduction, an employee gets what is technically called a "tax exclusion" on the value of the job's health benefits. Self employed individuals also receive their health insurance tax-free. So the people who are left out of the tax-free world of health benefits are people who have to buy their own individual plan; indeed, the federal tax code punishes workers who buy health insurance outside the workplace by making that worker buy health benefits with after-tax dollars. For most workers, this cost is a huge disincentive for obtaining health insurance on their own.

The main reasons so many Hispanics do not have health insurance are they generally have lower incomes and they work for smaller firms. Employment and income level are the leading indicators of health insurance coverage in this country. The lower the income, the more likely a worker will not have coverage. If they are working independently or with a firm that does not provide health insurance, they simply do not have coverage because they cannot afford it. Small firms, with fewer than 25 employees, are the least likely to provide employment-based health insurance. Based on the 1990 Census, odds are that Hispanic workers--with a per capita income of only \$10,773 and a solid majority employed by small businesses, particularly the service industry--will not be offered health insurance at the workplace and will not be able to afford it on their own.

Low-skilled workers often do not work for large companies or command a wage that enables them to buy health insurance, and they get little if any government assistance in purchasing it. If a worker decides to purchase individual policies, they will soon realize it is prohibitively expensive. This is the problem facing America's working poor.

Since most Latinos have to buy their own health insurance, they are faced with many obstacles to an affordable plan. All too often, state lawmakers have passed laws that require us to pay for benefits we may not want or need. While well intentioned, these mandates increase the cost of health insurance and push it beyond our means.

And that's the main reason we strongly support H.R. 2355, the "Health Care Choice Act."

H.R. 2355 will be a great tool for many of these uninsured workers to have access to more affordable health insurance plans. This legislation will open the doors to affordable coverage for all uninsured Hispanics and allow us to buy a health plan that meets our needs.

This bill is especially beneficial for those in the individual market. And most Hispanic workers fit that category. These are the workers who don't get the tax break like everyone else does; don't have an employer paying a significant amount of the cost; and have to buy a policy full of mandates which employers who self insure are able to escape. To add insult to injury, these workers have lower incomes, so they end up unable to afford these health insurance plans in the individual health insurance market.

This legislation will provide them with a new tool to find better plans that will fit their needs and their budgets. If you live in states with excessive mandates or with guaranteed issue and community ratings the cost of any individual plan is out of the reach of most workers. Under this legislation, workers in those states will be able to shop for plans approved by a State Insurance Commissioner in other states where the prices might be more suitable for their budgets and their particular needs.

Let me give you an example, if you are a family of four (husband and wife both age 35, two kids aged 10 and 9) living in Easton, Pennsylvania (right across the border), a health insurance plan will cost you \$299.81 per month for a \$1,000 deductible. That same family in New Jersey (any town because it costs the same throughout NJ because of community rating) it would cost \$3,820.11 a month for a \$500 deductible, according to the New Jersey Department of insurance (January 2005).

Many families in New Jersey have been buying insurance across state lines for years now. But what happens if you live in South Florida, South Texas or East Los Angeles and don't have the resources to travel across state lines? You are stuck with the very high cost insurance. This legislation will allow uninsured workers the ability to shop around for plans that meet their needs and fit their budgets.

Personally, I am a healthy individual and I am currently uninsured. I wanted to purchase an HSA in my home state of Washington State. But it's too expensive. I can purchase that same plan in Virginia for quite a bit less. Why can't someone like me be able to shop around across state lines to find plans that fit my needs and my budget? As long as it is regulated by a State Insurance Commissioner, why is the government limiting my choices?

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That's why this legislation is enormously popular among Hispanics. In a survey we conducted in October 2004 among 1,000 Hispanic adults, 84 percent strongly supported allowing people to buy an insurance policy from a different state as long as the health insurance product is regulated and approved by the state. The support was consistent across all sub groups: gender, age, party affiliation, national ancestry, registered and non-registered voters, ideology, and region. And a follow-up question showed that 84 percent would buy a health insurance plan from another state, as long as the plan was regulated and approved by the state.

When we first heard the basic concept of this legislation, we had serious concerns because of the number of predators in the Hispanic market. But when we realize that the only plans available under this legislation would be plans approved by a State Insurance Commissioner and regulated by all insurance commissioners, we realized that this concern was seriously addressed.

By no means do we believe that this is the silver bullet that will solve the uninsured crisis, but it's a great step in the right direction. This legislation, combined with 1) refundable tax credits for uninsured workers, 2) an increase in the number of community health centers, and 3) medical malpractice reform to eliminate provisions that prevent physicians from serving patients in underserved and low-income areas, among others.

The Latino Coalition strongly commends this committee for addressing this issue, and we look forward to working with you to break down the barriers and build the necessary bridges to improve the access to affordable health coverage for the uninsured.

Thank you.

For more information on The Latino Coalition, please visit our website at www.TheLatinoCoalition.com or call us at 202-546-0008. Our offices are located at 707 5th Street, S.E., Washington, DC 20002.